

BILLY J. WILLIAMS, OSB #901366

United States Attorney

District of Oregon

STUART A. WEXLER

Trial Attorney, Tax Division

Stuart.A.Wexler@usdoj.gov

LEE F. LANGSTON

Trial Attorney, Tax Division

Lee.F.Langston@usdoj.gov

1000 SW Third Ave, Suite 600

Portland, OR 97204-2902

Telephone: (503) 727-1000

Facsimile: (503) 727-1117

Attorneys for United States of America

**UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PORTLAND DIVISION**

UNITED STATES OF AMERICA,

Case No.: 3:15-CR-00438-JO

Plaintiff,

**GOVERNMENT'S SUMMARY OF
WITNESS TESTIMONY**

v.

WINSTON SHROUT,

Defendant.

The United States of America, by and through Billy J. Williams, United States Attorney for the District of Oregon, and Stuart A. Wexler and Lee F. Langston, Trial Attorneys, Tax Division, respectfully submits this summary of the expected trial testimony of the government's witnesses.

//

//

//

1. TIGTA Special Agent Mark Morini

The government anticipates its first witness will be Treasury Inspector General for Tax Administration (“TIGTA”) Special Agent Mark Morini. He will testify that as a Special Agent with TIGTA, he participated in an undercover investigation of the defendant in or around 2009. Agent Morini will describe his conduct during that investigation, including operating under the alias “Mark Morrison.” Agent Morini will describe using his alias to purchase materials, including DVDs, from the defendant, and corresponding with the defendant through e-mail. Agent Morini will describe attending a seminar in Cincinnati, Ohio, at which the defendant was the primary speaker, and at which Agent Morini spoke with the defendant. Finally, Agent Morini will testify to working with the defendant, primarily through e-mail, to convert a template for a “bond” – which the defendant provided to Agent Morini – into a completed “bond” that “Mark Morrison” could submit to the U.S. Treasury for payment of his tax debts.

2. IRS Special Agent Casey Hill

IRS Special Agent Casey Hill was the lead investigative agent in this case. Agent Hill will testify to a variety of evidence found on the defendant’s computer or external hard drives, as well as video evidence obtained during the execution of a search warrant in June 2012. Agent Hill will testify that documents directly related to Counts 1 through 13 in the Superseding Indictment were found on the defendant’s computer. The government will show the jury these documents and Agent Hill will describe certain aspects of them, which are contained in Government’s Exhibits 4-9; 11-1 through 11-8; 11-16; and 13-1. This process may become slightly repetitive, but is essential to the government’s burden of proof. In addition, Agent Hill will use Government’s Exhibit 11-19 to testify in summary fashion to other documents found on the defendant’s computer. Finally, Agent Hill will testify to the content of certain video clips, admitted as Government’s Exhibits 15-7 through 15-13, after which the government will play those clips for the jury.

3. Bill McGrath – American Metro Bank Executive

Bill McGrath is a former Vice President and Cashier for American Metro Bank (“AMB”) in Chicago, Illinois. Mr. McGrath was also the Bank Security Act (“BSA”) officer for AMB in 2011. Mr. McGrath will testify that in 2011 AMB was seeking investors in the bank as a source of capital, and Mr. McGrath’s role in the process was to perform background checks and due diligence on potential investors. He will testify that one of the investors he researched was an entity known as Metro Grant Holdings (“MGH”), and as part of his due diligence on MGH, Mr. McGrath reviewed corporate documents and individuals’ passports. Mr. McGrath will testify that in October 2011, AMB received approximately 1,000 documents from the defendant via FedEx that purported to be financial instruments known as “International Bills of Exchange” (“IBOE”). Mr. McGrath reviewed these documents as part of his review of MGH and in his capacity as the BSA officer for the bank. The government will present the jury with the FedEx label attached to the IBOE shipment, which indicated the documents had come from Winston

Shrout, in Hillsboro, Oregon. Mr. McGrath will testify that each IBOE purported to be worth \$1 trillion, and the documents were sequentially numbered, beginning with MGH10001 and ending with MGH11000. The government will show two of these IBOEs to the jury, which are contained in Government's Exhibit 13-1 and charged as Counts 8, 9, 11, and 12 in the Superseding Indictment. Mr. McGrath will testify that all of the IBOEs were signed by the defendant and listed the defendant as "Drawer/Maker." Mr. McGrath will testify that in addition to the IBOEs themselves, the bank received purported "instructions" on how to process the IBOEs; both the instructions and the IBOEs themselves indicated the documents were backed and would be honored by the United States Treasury. Mr. McGrath will testify that in his experience as a bank officer, he was generally aware of a legitimate financial instrument called an IBOE, but that he determined the IBOEs he received from the defendant were fictitious. He will state that he based his conclusion on his review of the documents, his due diligence on the individuals associated with MGH and the defendant, and conversations Mr. McGrath had with other banks.

4. William C. Kerr – Expert on Financial Instruments

Mr. Kerr is an expert on the subject of fictitious financial instruments. The government previewed his testimony in the government's Notice Pursuant to Fed. R. Crim. P. 16(a)(1)(G) and Supplemental Notice. (Docs. 36, 75.) The government provided the defendant with copies of Mr. Kerr's expert opinion report and supplemental expert opinion report on March 24, 2017. Mr. Kerr will provide analysis of the fictitious instruments charged in Counts 1 through 13 of the Superseding Indictment, as well as other uncharged but related documents by which the defendant attempted to obligate funds at the U.S. Treasury. Mr. Kerr will opine that the charged instruments were fictitious and without any material financial value, and that they purported to be issued under the authority of the United States or an organization. He will also opine that other, uncharged, instruments are similarly fictitious.

5. Jennifer Becker – Owner and President of ComEd

Ms. Becker previously testified in a deposition in this matter on October 26, 2016, pursuant to Fed. R. Crim. P. 15. Her testimony generally related to operating a business known as Commercial Education and Distributing ("ComEd") in and around 2009 and 2010, payments ComEd made to the defendant in those years, and the tax implications of those payments. The government anticipates that Ms. Becker's testimony at trial will be consistent with her testimony during the deposition.

6. Patricia Bekken – Owner and President of BEADS

The government anticipates Ms. Bekken's testimony will be similar in kind to Ms. Becker's testimony. Ms. Bekken will testify that she formed and operated the entity Beverly Event and Distribution Services, Inc. ("BEADS"), beginning in the 2009 timeframe through at least 2014. She will testify that BEADS had a business relationship

with ComEd before ComEd ceased operations in 2010. Ms. Bekken will state that BEADS paid the defendant in each year from 2010 through 2014, but that the defendant was not an employee of BEADS; he was treated as a contractor. Ms. Bekken will testify that BEADS gave both the IRS and the defendant IRS Forms 1099-MISC reporting his income from BEADS each year from 2010 through 2014. Finally, Ms. Bekken will testify that she shares a residence with the defendant at times, and that the return mailing address the defendant used in various mailings was indeed his address in Hillsboro, Oregon.

7. Kyle Vong – Carpenters Southwest Administrative Corporation

The Carpenters Southwest Administrative Corporation (“CSAC”) administers the Southwest Carpenters Pension Trust. (“the Trust”) Kyle Vong, a representative from the CSAC, will testify that the defendant received annual pension payments from the Trust every year beginning in 1998, up to and including 2014. Mr. Vong will testify that the Trust mails all pensioners, including the defendant, an annual IRS Form 1099 that reports to the IRS and to the defendant the income he received from the Trust in a given year. Copies of Forms 1099 supplied to the defendant will be shown to the jury from Government’s Exhibit 6-1. In addition, Mr. Vong will testify that the Trust mails all pensioners, including the defendant, a letter accompanying the Form 1099 that states unequivocally that the defendant’s pension checks are to be considered taxable income. The government will show the jury an example of one of those letters, which was mailed to the defendant in April, 1998, as part of Government’s Exhibit 6-1.

8. Kristy Morgan – IRS Court Witness Coordinator

The government anticipates that IRS Court Witness Coordinator Kristy Morgan will testify to certain IRS documents already in evidence as Government’s 4-Series Exhibits and certain IRS procedures relative to the filing and processing of tax returns. The government anticipates Ms. Morgan will testify as to the tax filing history of the defendant as contained in IRS records and databases, correspondence between the IRS and the defendant, and discuss relevant tax forms and instructions. Finally, Ms. Morgan will testify to the defendant mailing a “Non-Negotiable Bill of Exchange” to the U.S. Treasury, as contained in Government’s Exhibit 4-9.

9. Revenue Agent Kristin Emminger

The government provided notice of IRS Revenue Agent Kristin Emminger’s testimony in its expert witness notice. (Doc. 36.) As discussed in that notice, Agent Emminger will provide an analysis of documentary and testimonial evidence admitted at trial and will explain the resulting tax consequences. Specifically, Agent Emminger will summarize the evidence she used in determining the magnitude of the defendant’s gross and taxable income for the years 2009 through 2014, testify regarding the defendant’s requirement to file a tax return for the years 2009 through 2014, and summarize the evidence she used in

calculating the tax loss associated with the defendant's failure to file tax returns in those years.

Dated this 14th day of April, 2017.

Respectfully submitted,

BILLY J. WILLIAMS
United States Attorney

/s/ Stuart A. Wexler
STUART A. WEXLER
LEE F. LANGSTON
Trial Attorneys, Tax Division
(202) 305-3167

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on April 14, 2017, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the attorney(s) of record for the defendant. Additionally, a copy of the foregoing was emailed to the defendant at millieannjones@gmail.com.

/s/ Stuart A. Wexler

STUART A. WEXLER

Trial Attorney, Tax Division